

PROPOSED RESOLUTION

Resolution W-5044
DWA

AGENDA ID #13988

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5044
June 11, 2015

RESOLUTION

(RES. W-5044), PARK WATER COMPANY (PARK). ORDER APPROVING PARK WATER COMPANY'S REQUEST TO IMPLEMENT A ONE-TIME SURCREDIT OF \$2.91 TO ALL CUSTOMERS TO REFUND THE OVER-COLLECTED BALANCE RECORDED IN ITS 2010 TAX ACT MEMORANDUM ACCOUNT.

By Advice Letter No. 257-W filed on February 4, 2015 and Supplemented by Advice Letter No. 257-W-A filed on April 30, 2015.

SUMMARY

Park Water Company (Park), a Class A water utility, seeks to implement a one-time surcredit of \$2.91 to all customers to refund the over-collected balance recorded as of December 31, 2014 in its 2010 Tax Act Memorandum Account. Once the surcredit has been applied to all customer accounts, the 2010 Tax Act Memorandum Account will terminate and should be closed.

Upon review of Park's request, the Division of Water and Audits (DWA) finds the surcredit to be reasonable and recommends Commission approval.

BACKGROUND

Park's 2010 Tax Act Memorandum Account (TAMA) was established in accordance with Commission Resolution L-411A to track Commission-jurisdictional revenue requirement impacts not otherwise reflected in rates of the 2010 Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 Tax Act). The TAMA was authorized by Advice Letter No. 225-W-A, which was approved on August 18, 2011. The tracking period began on April 14, 2011 and ended on December 31, 2012 as the impacts of the 2010 Tax Act were incorporated into revenue requirement changes in Park's General Rate Case (A.12-01-001) effective January 1, 2013.

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Pursuant to Resolution L-411A, Park was required to record the following in this memorandum account:

- a) decreases in revenue requirement resulting from increases in deferred tax reserve;
- b) offsets to reflect additional costs or expenses, not otherwise recovered in rates, incurred as a result of qualified additional utility infrastructure investment enabled by the bonus depreciation provisions of the 2010 Tax Law;
- c) amounts to reflect the impacts of any decrease in Section 199 deductions resulting from bonus depreciation taken;
- d) changes in working cash resulting from the 2010 Tax Law;
- e) any decrease in the tax component of contributions in-aid-of-construction (CIAC) received due to changes in the tariffed tax component of CIAC to reflect the 2010 Tax Law; and
- f) any other direct changes in revenue requirement resulting from the utility's taking advantage of the 2010 Tax Law.

Park was instructed in the Settlement Agreement adopted by the Commission in D.13-09-005 to resolve the balance in the TAMA by filing a Tier 3 advice letter once the final amounts in the memorandum account were known. Advice Letter No. 257-W was filed on February 4, 2015.

Upon examination of Park's TAMA entries in the advice letter, DWA requested that Park file a supplement reflecting some agreed-upon adjustments to the surcredit calculations; Park did so on April 30, 2015. DWA finds that Park has correctly recorded the impacts on revenue requirement of the 2010 Tax Act for the tracking period ending December 31, 2012. The total amount to be refunded, including interest through the end of 2014, is \$79,222.

NOTICE AND SERVICE

In accordance with General Rules 4.3 and 7.2, and Water Industry Rule 4.1, of General Order 96-B, Park served copies of AL 257-W to competing and adjacent utilities and other parties requesting such notification, on February 4, 2015. Park served copies of the supplement, AL 257-W-A, to the same list on April 30, 2015.

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RESPONSE AND PROTEST

No protests to AL 257-W or AL-257-W-A were received.

DISCUSSION

The 2010 TAMA tracks the revenue requirement impacts of the 2010 Tax Act that were not incorporated into adopted rates. The decrease in Park's revenue requirement resulting from the 2010 Tax Act is attributed mainly to a decrease in rate base, which is partially offset by increases in income tax expense and depreciation expense.

The net decrease in Park's rate base is primarily a result of the increase in deferred taxes due to bonus depreciation both on adopted plant and on incremental reinvestment arising from the 2010 Tax Act. This effect is partially offset by increases in rate base due to plant impacts of reinvestment and additional working cash due to adjustments in deferred tax accrual. The net decrease in rate base is converted to a decrease in revenue requirement by applying the adopted rate of return and net-to-gross multiplier.

The increase in income tax expenses results from decreases in two deductions: the interest deduction, due to reduction in rate base, and the Section 199 deduction, due to bonus depreciation taken. The increase in depreciation expense results from reinvestment.

The net impact on revenue requirement for 2011 and 2012 is a combination of the impact calculated for the Central Basin District and a portion of the impact calculated for the General Office, based on the adopted General Office allocation factor. Interest is calculated using the Three-Month Commercial Paper Rate from mid-April 2011 through the end of 2014. The balance in the TAMA at the end of this period is \$79,222.

Using the adopted number of customers for Escalation Year 2015, Park will refund the over-collected balance in the TAMA by issuing a surcredit of \$2.91 to each customer. Once this occurs, the 2010 Tax Act Memorandum Account will be closed.

SAFETY

This matter has no safety implications.

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COMMENTS

Public Utilities Code Section 311 (g)(2) provides that the 30-day public review period may be reduced or waived for an uncontested matter in which the decision grants the relief requested. Accordingly, this draft Resolution was not made available for public comment.

FINDINGS AND CONCLUSIONS

1. On February 4, 2015 Park Water Company (Park) filed Advice Letter 257-W requesting to implement a one-time surcredit to all customers in order to refund the over-collected balance recorded in its 2010 Tax Act Memorandum Account (TAMA).
2. Park had established the TAMA via Advice Letter No. 225-W-A, which was authorized on August 18, 2011, pursuant to Resolution L-411A.
3. Park recorded in the TAMA Commission-jurisdictional revenue requirement impacts not otherwise reflected in rates of the 2010 Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 Tax Act) from April 14, 2011 through December 31, 2012.
4. Upon review of the original workpapers, the Division of Water and Audits (DWA) requested that Park file a supplement to AL 257-W reflecting some adjustments to the surcredit calculations.
5. Park filed Advice Letter 257-W-A on April 30, 2015.
6. DWA reviewed Park's updated documentation supporting the balance in the TAMA and finds the \$79,222 balance to be reasonable.
7. Park should refund the TAMA balance through a one-time surcredit to all customers of \$2.91, which should be noted in each rate schedule, and should delete the Tax Act Memorandum Account section of the Preliminary Statement in its tariffs.

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8. Once the over-collected balance has been refunded to customers, the Tax Act Memorandum Account should be closed.
9. There are no safety implications associated with this matter.

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THEREFORE IT IS ORDERED THAT:

1. Park Water Company is authorized to implement a one-time surcredit of \$2.91 on all customer bills to refund the over-collected balance in its 2010 Tax Act Memorandum Account. The tariff sheets attached in Appendix A to this Resolution are approved.
2. Park Water Company shall file a Tier 1 Advice Letter to close the 2010 Tax Act Memorandum Account and remove the associated section from the Preliminary Statement from its tariffs.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 11, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A

PRELIMINARY STATEMENT

(Continued)

- O. Low-Income Customer Data Sharing Cost Memorandum Account (continued)
2. Accounting Procedure: The following entries will be made monthly to the Low-Income Customer Data Sharing Cost Memorandum Account:
- a. The recorded incremental costs associated with implementing and ongoing data sharing program costs (debit).
 - b. Monthly Interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release 15, <http://www.federalreserve.gov/releases/H15/data/m/cp3m/txt>, or its successor publication (debit or credit).

P. (D)

Q. Interim Rates Memorandum Account ("IRMA") (L)

1. Purpose

The purpose of the IRMA is to track the difference between the interim rates and the final rates adopted by the Commission in Application 12-01-001. The authority to establish this account was granted in the Administrative Law Judge's ruling dated November 13, 2012 in Application 12-01-001.

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APPENDIX A

SCHEDULE NO. PR-1-R

RESIDENTIAL METERED SERVICE

(Continued)

18. As authorized by the California Public Utilities Commission, an amount of \$0.231 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 251-W-A. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2013.
19. As authorized by the California Public Utilities Commission, a one-time surcredit of \$2.91 is to be applied on the effective date of Advice Letter 257-W-A. This surcredit will refund the over-collection in the 2010 Tax Act Memorandum Account.
- (R) | (R)

(Cont.)

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APPENDIX A

SCHEDULE NO. PR-1-NR

NON-RESIDENTIAL METERED SERVICE

(Continued)

18. As authorized by the California Public Utilities Commission, an amount of \$0.231 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 251-W-A. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2013.
19. As authorized by the California Public Utilities Commission, a one-time surcredit of \$2.91 is to be applied on the effective date of Advice Letter 257-W-A. This surcredit will refund the over-collection in the 2010 Tax Act Memorandum Account. (R)
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(R)

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APPENDIX A

SCHEDULE NO. PR-4F

NON-METERED FIRE SPRINKLER SERVICE

(Continued)

10. As authorized by the California Public Utilities Commission, an amount of \$ 4.33 per month is to be added to the service charge rate for a period of 19 months, beginning on the effective date of Advice Letter 250-W. This surcharge will recover the net under-collection in the Interim Rates Memorandum Account and the Cost of Capital Memorandum Account as of December 31, 2013.
11. As authorized by the California Public Utilities Commission, a one-time surcredit of \$2.91 is to be applied on the effective date of Advice Letter 257-W-A. This surcredit will refund the over-collection in the 2010 Tax Act Memorandum Account. (R)
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(R)

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APPENDIX A

SCHEDULE NO. PR-6

RECLAIMED WATER SERVICE

(Continued)

11. As authorized by the California Public Utilities Commission, an amount of \$0.545 per Ccf is to be added to the quantity rate for a period of 19 months, beginning on the effective date of Advice Letter 250-W. This surcharge will recover the net under- collection in the Interim Rates Memorandum Account and the Cost of Capital Memorandum Account as of December 31, 2013.
12. As authorized by the California Public Utilities Commission, a one-time surcredit of \$2.91 is to be applied on the effective date of Advice Letter 257-W-A. This surcredit will refund the over-collection in the 2010 Tax Act Memorandum Account. (R)
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APPENDIX A

SCHEDULE NO. PR-9CM

CONSTRUCTION AND OTHER TEMPORARY METERED SERVICE

(Continued)

5. As Authorized by the California Public Utilities Commission all bills are subject to a monthly surcharge as shown in the following table:

Meter size	Surcharge \$/mo
5/8" X 3/4"	\$ 0.395
1"	\$ 0.592
1 1/2"	\$ 0.987
2"	\$ 1.974
3"	\$ 3.158
4"	\$ 5.922
6"	\$ 9.870
8"	\$ 19.740
10"	\$ 31.583
12"	\$ 45.401

The surcharge shall be collected over a 12-month period, beginning with the effective date of Advice Letter 238-W-A. This surcharge will recover the balances in the California Urban Conservation Council Best Management Practice Memorandum Account, the Conservation Implementation Costs Memorandum Account, and the Conservation Proceeding Memorandum Account.

6. As authorized by the California Public Utilities Commission, a one-time surcredit of \$2.91 is to be applied on the effective date of Advice Letter 257-W-A. This surcredit will refund the over-collection in the 2010 Tax Act Memorandum Account. (R)

END OF APPENDIX A

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PARK WATER COMPANY ADVICE LETTER NO. 257-W-A SERVICE LIST

Edward N. Jackson
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